

Message Text

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DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/S
TAGS: ECON, EFIN, GW
SUBJECT: FRG CLAIMS IT HAS STIMULATED SUFFICIENTLY
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REF: BONN 4145, BONN 3713

1. SUMMARY: IN A GROWING CHORUS EMANATING FROM VARIOUS
SOURCES IN THE GOVERNMENT, THE MELODY IS THE SAME: WE
HAVE BEEN STIMULATING OUR ECONOMY FOR A LONG TIME, AND
TO A FAR GREATER EXTENT THAN ANYBODY ELSE. SO,

DON'T BOTHER US NOW WITH YOUR PRESSURES TO STIMULATE FURTHER, BECAUSE WE HAVE ALREADY DONE MORE THAN OUR SHARE, IN FACT, MORE IN RELATIVE TERMS THAN THE USG. WHAT IS IMPORTANT IS THE CONTINUATION OF THE FIGHT AGAINST INFLATION. THIS IS THE THEME CHANCELLOR SCHMIDT HAS PUT FORTH PREVIOUSLY IN A GENERAL WAY AND WAS A KEY ELEMENT IN THE GOVERNMENT'S BUDGET PRESENTATION TO THE BUNDESTAG (SEE REFTES) AND MORE RECENTLY HAS BEEN FLESHED OUT WITH DETAILED PRESS STORIES BASED ON LEAKS OF INTERNAL DOCUMENTS FROM THE ECONOMICS AND FINANCE MINISTRIES. IT WAS ALSO PART OF THE "CLOSED DOORS" PRESENTATIONS OF MINISTER OF ECONOMICS FRIDERICH'S AND MINISTER OF FINANCE APEL IN BRUSSELS AT THE EC FINANCE COUNCIL MEETING OF MARCH 14, WHICH HAVE ALSO BEEN CONFIDED TO THE GERMAN PRESS. THE USE OF THESE POINTS IN BILATERAL AND MULTILATERAL DISCUSSIONS IN THE FUTURE SHOULD PROBABLY BE ANTICIPATED. END SUMMARY.

2. WE OBTAINED A COPY OF AN INTERNAL FINANCE MINISTRY PAPER COMPARING THE ECONOMIC STIMULATION MEASURES IN THE U.S. AND THE FRG, WHICH WAS APPARENTLY LEAKED TO CERTAIN MEMBERS OF THE PRESS AS WELL. THE MAIN POINTS OF THIS PAPER (WHICH ALL ARE DESIGNED TO SHOW HOW MUCH MORE THE FRG HAS DONE) ARE AS FOLLOWS:

(A) THE ECONOMIC STIMULATION PROGRAMS IN THE FRG AND IN THE U.S. ARE NOT CONCURRENT IN TIMING OR DURATION. THEREFORE, SENSIBLE COMPARISONS MUST COMPRISE ALL MEASURES ADOPTED SINCE THE BEGINNING OF THE RECESSION LIMITED OFFICIAL USE

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UP TO A CERTAIN DATE, I.E., 1974-78.

(B) THE QUANTITATIVE COMPARISON OF STIMULATIVE MEASURES IN THE U.S. AND FRG SINCE 1974 AND RUNNING THROUGH 1978 ADDS UP TO DM 80 BILLION FOR THE FRG AND THE EQUIVALENT OF DM 225 BILLION FOR THE USG. (SEE TABLE I.)

(C) THE PAPER CONTINUES THAT COMPARISON ON THE BASIS OF THESE ABSOLUTE FIGURES MUST BE RELATED TO THE ECONOMIC STRENGTH OF THE TWO COUNTRIES. THUS, WHEN RELATING THE RESPECTIVE GNP'S IN 1976 TO THE TOTAL VOLUME OF STIMULATING MEASURES DURING THE PERIOD OF 1974-78, THE U.S., INCLUDING THE PROGRAM PROPOSED BY PRESIDENT CARTER, AMOUNTS TO 5.5 PERCENT, WHEREAS IN THE FRG, IT AMOUNTS TO 7 PERCENT.

(D) FURTHER, THE PAPER FROM THE FINANCE MINISTRY POINTS OUT THAT THE FRG MEASURES INCLUDE A GREATER

PORTION OF DIRECT EXPENDITURES FOR GOODS AND SERVICES,
WHICH HAVE A HIGHER MULTIPLIER THAN TAX CUTS, THE

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DOMINATING FEATURE OF THE U.S. PROGRAMS. IT SEEMS
REASONABLE, THE PAPER ASSUMES, TO CONCLUDE THAT THE
STIMULATION MEASURES IN THE FRG CREATE RELATIVELY MORE
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DEMAND THAN THE U.S. MEASURES. HOWEVER, DISREGARDING THIS FACT, BUT CHOOSING THE MULTIPLIERS DERIVED BY THE OECD, ONE COMES TO AN EVEN MORE IMPRESSIVE CONCLUSION REGARDING THE INTERNATIONAL IMPACT OF THE RESPECTIVE PROGRAMS. THE FRG PROGRAMS HAVE AN INCOME-GENERATING EFFECT ON THE REST OF THE INDUSTRIAL COUNTRIES PRACTICALLY AS LARGE, AT \$43 BILLION, AS THE U.S., AT \$56 BILLION. AND THIS WAS ACHIEVED, EMPHASIZES THE PAPER, DESPITE THE FACT THAT THE U.S. HAS AN ECONOMY OVER THREE AND A HALF TIMES AS LARGE AS THE FRG (MEASURED IN TERMS OF THE RELATIVE SIZE OF THE RESPECTIVE GNP'S).

(E) A COMPARISON OF THE NET DEFICITS OF THE PUBLIC SECTOR AS A WHOLE IN THE FRG AND THE U.S.A. DURING THE YEARS 1974-77 SHOWS A HIGHER NET DEFICIT/GNP RATIO FOR THE FORMER IN EVERY ONE OF THE YEARS. FURTHERMORE, IF THE USE OF COUNTERCYCLICAL RESERVES FROM THE BUNDESBANK, IN THE AMOUNT OF DM 10 BILLION, WERE ADDED TO THE FRG DATA, THIS WOULD MEAN AN ADDITIONAL 0.25 PERCENT TO BE ADDED TO THE NET DEFICIT/GNP RATIO.

(F) THE PAPER STATES THAT IN CONTRAST TO U.S. FOREIGN TRADE, THE FOREIGN TRADE OF THE FRG EXERTED A STIMULATING EFFECT ON THE WORLD ECONOMY. THE FRG WAS THE ONLY LARGER INDUSTRIALIZED COUNTRY WHICH, AT THE 1975 LOW-POINT OF THE WORLD RECESSION, MANAGED TO REGISTER AN IMPORT INCREASE. AT THE SAME TIME, GERMAN EXPORTS RELIEVED THE WORLD MARKET BY A DECLINING 4 PERCENT. THE FASTER 20 PERCENT RATE OF INCREASE OF IMPORTS IN 1976 THAN EXPORTS, WHICH WERE UP 16 PERCENT, WAS ALSO CITED. THE DECLINE OF THE FRG CURRENT ACCOUNT SURPLUS FROM DM 25.1 BILLION IN 1974 TO DM 9.5 BILLION IN 1975 AND DM 8.5 BILLION IN 1976 IS ALSO SIGNALLED. BY CONTRAST, THE U.S. IMPORTS IN 1975 DECLINED BY ROUGHLY 5.5 PERCENT, WHEREAS U.S. EXPORTS INCREASED BY 9 PERCENT IN THAT YEAR. THE TURNAROUND IN THE PICTURE FOR THE LIMITED OFFICIAL USE

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U.S. IN 1976, WHILE NOT HIGHLIGHTED, IS NOT, HOWEVER, OVERLOOKED. NOR IS THE TURNAROUND IN THE U.S. CURRENT ACCOUNT FROM A 1975 SURPLUS TO A DEFICIT IN 1976.

(G) THE FINANCE MINISTRY PAPER CONCLUDES THAT THERE IS A STABILIZING EFFECT ON INTERNATIONAL

ECONOMIC DEVELOPMENTS STEMMING FROM THE ECONOMIC POLICIES OF THE FRG. WITH ITS HIGH DEGREE OF PRICE STABILITY, THE FRG HAS DAMPENED WORLD INFLATION, AND AT THE SAME TIME, HELPED TO SPREAD THE WISDOM AND PRACTICE OF ANTI-INFLATION POLICIES. A MORE EXPANSIVE POLICY NOW WOULD BRING WITH IT THE RISK OF ACCELERATING INFLATION AND THEREBY INCREASE THE RISKS FOR THE DEVELOPMENT OF THE WORLD ECONOMY.

3. THE ECONOMICS MINISTRY PAPER WAS MUCH LESS ORIENTED TOWARDS THE INVIDIOUS COMPARISONS OF THE FINANCE MINISTRY, EVEN THOUGH SOME OF ITS MAIN POINTS ARE REPEATED. GREATER EMPHASIS, AS IS CHARACTERISTIC OF THIS MINISTRY, WAS PLACED ON THE NEED TO PROMOTE A HIGH PRIVATE INVESTMENT LEVEL WHICH CAN ONLY COME IF PRICE STABILITY IS MAINTAINED. SHORT-TERM STIMULATIVE PROGRAMS ARE SHUNNED AS INEFFECTIVE IN FAVOR OF THE MEDIUM-TERM APPROACH OF THE FRG PROPOSED INVESTMENT PROGRAM WHICH WAS NOT DESIGNED AS A COUNTERCYCLICAL DEVICE. SUMMARIZED, THIS PAPER HAD THE FOLLOWING TO SAY:

(A) NOW THAT A RECOVERY HAS TAKEN PLACE, IT IS NECESSARY TO MANAGE THE TRANSITION TO A SELF-SUSTAINING UPTURN, ESPECIALLY HIGHLIGHTED IS THE NEED TO INCREASE THE RATE OF INVESTMENT. TO THIS END, FURTHER

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PROGRESS TOWARD PRICE STABILIZATION IS MANDATORY.

(B) IN THE LAST THREE YEARS, ECONOMIC STIMULATION
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MEASURES, INCLUDING SIX EXPENDITURE PROGRAMS AND
SEVERAL TAX RELIEF PROGRAMS, AMOUNTED TO A TOTAL VOLUME
OF DM 35 BILLION. (SEE TABLE II.)

(C) CYCLICALLY INDUCED REVENUE LOSSES AND
ADDITIONAL EXPENDITURES, ESPECIALLY TO COVER THE
DEFICITS OF THE UNEMPLOYMENT INSURANCE PROGRAM, BETWEEN
1973 AND 1975 ADDED UP TO A DM 75 BILLION SWING IN THE TOTAL
PUBLIC SECTOR DEFICIT. MEASURED IN TERMS OF THE
DEFICIT/GNP RATIO, THERE WAS A DETERIORATION OF ALMOST
7.5 PERCENTAGE POINTS. THIS PLACED THE FRG IN THE
NUMBER ONE POSITION IN THIS REGARD AMONG THE MAJOR
INDUSTRIALIZED COUNTRIES.

(D) MONETARY AND CREDIT POLICIES OF THE FRG HAVE
CREATED THE PREREQUISITES FOR THE GROWTH PROCESS.
MONETARY POLICY HAS REMAINED SUFFICIENTLY FLEXIBLE TO
ACCOMMODATE TEMPORARY EXCESSES OVER TARGETED GOALS.
THE FRG HAS THE LOWEST DISCOUNT RATE OF ALL WESTERN
INDUSTRIALIZED COUNTRIES. THE MAINTENANCE OF FLEXIBLE
EXCHANGE RATES VIS-A-VIS THE CURRENCIES OF MOST
INDUSTRIALIZED COUNTRIES AND THE REALIGNMENT WITHIN
THE SNAKE ALLOWED THE DEUTSCHEMARK TO INCREASE
18 PERCENT FROM THE END OF 1973 TO THE END OF 1976
VIS-A-VIS THE REST OF THE WORLD. WITH THIS, THE FRG
CONTRIBUTED TO A BETTER INTERNATIONAL BALANCE OF PAY-

MENTS EQUILIBRIUM.

(E) ACCORDING TO CALCULATIONS OF THE FEDERAL LABOR AGENCY. LABOR MARKET MEASURES RESULTED IN THE REDUCTION OF UNEMPLOYMENT IN GERMANY FROM WHAT IT WOULD HAVE BEEN OTHERWISE BY 310,000 IN 1975 AND BY 209,000 IN 1976. FURTHERMORE, THE MODEST WAGE INCREASES OF 1975 AND 1976 HELPED TO IMPROVE THE CHANCES FOR RENEWED GROWTH.

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(F) AT 5.5 PERCENT THE REAL GROWTH RATE OF GNP IN 1976 CLEARLY EXCEEDED THE EXPECTATIONS OF THE GOVERNMENT, WHICH IN ITS LATE JANUARY 1976 ANNUAL REPORT ANTICIPATED FOR 5 PERCENT AND SUBSTANTIALLY EXCEEDED THE OECD ESTIMATE OF 3.5 PERCENT AND THE EC FORECAST OF 4 PERCENT. FOLLOWING A SLOWDOWN IN MID-1976, THE GNP REAL GROWTH DURING THE FOURTH QUARTER WAS CLEARLY HIGHER THAN IN MOST INDUSTRIALIZED COUNTRIES, INCLUDING THE U.S.

(G) PRIVATE CONSUMPTION HAS DEVELOPED RELATIVELY STEADILY. IN 1976, IT WAS ABOUT 6.5 PERCENT ABOVE THE LEVEL IN 1973. WHEREAS, OVER THE SAME SPAN OF TIME, GNP INCREASED BY 3 PERCENT. BY CONTRAST, PRIVATE INVESTMENT DID NOT BEGIN TO INCREASE UNTIL 1975. IN 1976 IT GREW BY 7.5 PERCENT REAL.

(H) THE RELATIVELY HIGH ELASTICITY OF GERMAN IMPORTS IN RELATION TO GNP WAS PROMOTED BY THE REVALUATION OF THE DM. THERE WAS ABOVE AVERAGE GROWTH OF IMPORTS FROM GREAT BRITAIN AND THE U.S, WHILE GERMAN EXPORTS TO THE U.S., ON THE OTHER HAND, INCREASED AT A BELOW AVERAGE RATE (UP 9.6 PERCENT VS. A TOTAL EXPORT INCREASE OF 15.5 PERCENT). GERMAN BUSINESS, THEREFORE, BENEFITTED RELATIVELY LITTLE FROM THE RECOVERY IN THE U.S.

(I) DESPITE THE PROGRESS ALREADY ACHIEVED, THERE ARE CONSIDERABLE INTERNAL AND EXTERNAL UNCERTAINTIES REGARDING THE SUSTAINABILITY AND INTENSITY OF THE FUTURE GROWTH PROCESS. RELATIVELY HIGH ECONOMIC GROWTH AND ESPECIALLY A LASTING INTENSIFICATION OF INVESTMENT ARE NECESSARY, HOWEVER, IN ORDER TO SOLVE EMPLOYMENT PROBLEMS. THE GOAL OF ECONOMIC POLICY IN FUTURE YEARS, THEREFORE, IS TO STABILIZE ECONOMIC GROWTH AT A HIGH LEVEL AND CONCOMITANTLY ACHIEVE FURTHER PROGRESS TOWARD PRICE
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STABILITY.

(J) SHORT-TERM ADDITIONAL CYCLICAL PROGRAMS CAN
CONTRIBUTE ONLY VERY LITTLE TO A LASTING IMPROVEMENT OF
THE OVERALL SITUATION. IN FACT, THEY COU WORK IN THE
OPPOSITE DIRECTION, MAKING EXPECTATION UNCERTAIN
("ARTIFICIALLY CREATED DEMAND WILL NOT LAST"). BUSINESS
COULD FEEL TEMPTED TO POSTPONE INVESTMENTS IN ANTICIPA-
TION OF "THE NEXT, EVEN BETTER OFFER" BY POLICYMAKERS.

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USMISSION USBERLIN

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TEMPORARY PERSONAL TAX CUTS AS IN THE U.S. LEAD TO
INCREASED SAVINGS RATHER THAN TO HIGHER DEMAND, ACCORDING
TO THE FRG EXPERIENCE, AND WOULD BRING UNCERTAINTY
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AS TO WHETHER THE RESULTING RENEWED INCREASE IN PUBLIC
DEFICITS COULD BE FINANCED WITHOUT AFFECTING PRICE
STABILITY. THE RESULTING NEW FEARS OF INFLATION WOULD
CONSIDERABLY BURDEN THE ECONOMIC CLIMATE AND CONSEQUENT-
LY, GROWTH AND EMPLOYMENT PROSPECTS WOULD QUICKLY
DETERIORATE AGAIN.

(K) GROWTH AND EMPLOYMENT PROBLEMS MUST BE SOLVED
PRIMARILY WITHIN THE FRAMEWORK OF MEDIUM-TERM ORIENTED
POLICIES. THIS MEANS A STABILIZATION OF THE HORIZONS
OF EXPECTATIONS FOR INVESTORS, CONSUMERS, AND COLLECTIVE
BARGAINING PARTIES. IT ALSO MEANS AN INTENSIVE
COORDINATION OF ECONOMIC POLICIES IN THE EC AND OTHER
INDUSTRIALIZED COUNTRIES. FURTHERMORE, THE FRG FEELS
THAT EFFORTS TO WARD OFF TRADE RESTRICTIONS SHOULD
BE CONTINUED AND THE GATT TOKYO ROUND SHOULD BE
SUCCESSFULLY CONCLUDED. COUNTRIES WITH WEAK BALANCES OF
PAYMENTS SHOULD BE AIDED MULTILATERALLY AND CONSTRUCTIVE
SOLUTIONS IN THE NORTH-SOUTH DIALOGUE SHOULD PROVIDE
FOR THE MAINTENANCE OF FREE WORLD TRADE, INCLUDING THE
SUPPLY OF ENERGY AND RAW MATERIALS. PUBLIC SECTOR
DEFICITS SHOULD BE CONSOLIDATED IN ORDER TO LEAVE
SUFFICIENT LEEWAY FOR THE FINANCING OF PRIVATE INVEST-
MENTS. HOWEVER, THIS SHOULD NOT BE CARRIED TO THE POINT
OF FOLLOWING DEFLATIONARY POLICIES.

(L) THE MEDIUM-TERM PUBLIC INVESTMENT PROGRAM,
PROPOSED BY THE GOVERNMENT, SHOULD NOT BE CONSTRUED
AS A COUNTERCYCLICAL PROGRAM. FOR THIS REASON, A
COMPARISON WITH COUNTERCYCLICAL PROGRAMS IN OTHER
COUNTRIES IS TO NO AVAIL. ITS GOAL IS THE IMPROVEMENT
OF GROWTH CONDITIONS AND IN EMPLOYMENT VIA THE
INTENSIFICATION OF PUBLIC INVESTMENTS AS WELL AS A
MEDIUM-TERM IMPROVEMENT OF THE HORIZON OF EXPECTATIONS
OF PRIVATE INVESTORS.

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4. IN WHAT WAS PURPORTED TO BE A DISCLOSURE OF WHAT TOOK PLACE BEHIND THE CLOSED DOORS OF THE EC MINISTERIAL CONFERENCE MARCH 14 IN BRUSSELS, THE GERMAN PRESS REPORTED THAT ECONOMICS MINISTER FRIDERICH'S HAD TRIED TO CONVINCE HIS COLLEAGUES THAT THE FRG HAD DONE THE OPTIMUM OF WHAT COULD BE DONE IN FAVOR OF ITS EC PARTNERS. IN LOOKING AT THE GERMAN TRADE SURPLUSES, HE SAID IT IS OFTEN OVERLOOKED THAT THE FRG IN 1976 WAS THE LARGEST NET IMPORTER OF "INVISIBLE SERVICES" IN THE WORLD. MORE THAN 1/5 OF THE FRG SURPLUS IN COMMODITY TRADE WAS OFFSET BY THE DEFICIT ON SERVICES AND TRANSFER ACCOUNT. MINISTER FRIDERICH'S OFFERED A GREAT NUMBER OF ARGUMENTS IN FAVOR OF BONN'S RESTRAINED STAND TOWARD EXPANSIONARY POLICIES, CITING THE INFLATION-PRONE RISK OF SHORT-TERM STIMULATION. NEVERTHELESS, HE REPORTEDLY SAID THAT THE FRG STANDS READY FOR ADDITIONAL STIMULATION IF ECONOMIC GROWTH DURING THE COURSE OF THE YEAR SHOULD REMAIN SUBSTANTIALLY BELOW GOAL PROJECTION. THIS, THOUGH, HE SAID DID NOT SEEM LIKELY ON THE BASIS OF RECENT DATA. THE 1975-76 RECORDS OF FRG IMPORT GROWTH WERE ONCE MORE REEMPHASIZED. WHEREAS THE EC AVERAGE OF IMPORT GROWTH CAME TO ONLY 11.5 PERCENT, FRG IMPORTS FROM GREAT BRITAIN ROSE FROM 23.1 PERCENT, FROM BELGIUM 21.2 PERCENT, FROM IRELAND 19.0 PERCENT AND FROM THE NETHERLANDS 18.8 PERCENT.

5. FINANCE MINISTER APEL REPORTEDLY POINTED OUT TO HIS EC COLLEAGUES THAT IT WAS IMPOSSIBLE TO DO ANYTHING MORE VIA PUBLIC FINANCES WITHOUT RISKING A NEW UPWARD TREND IN INTEREST LEVELS WHICH MUST BE AVOIDED. THE SUGGESTION OF COMMISSIONER ORTOLI TO MOVE UP IMPLEMENTATION OF MEASURES CONTEMPLATED FOR 1978 TO 1977 IS PROBLEMATIC AND NOT REALLY PRACTICAL.

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6. PERTINENT TABLES FOLLOW:

TABLE I
FINANCE MINISTRY LIST OF STIMULATION MEASURES
(INFORMAL TRANSLATION)

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FRG

VOLUME

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MEASURES	(DM BILLION)
SPECIAL PROGRAM OF FEBRUARY 1974	0.90
SPECIAL PROGRAM OF SEPTEMBER 1974	0.95
PROGRAM TO PROMOTE EMPLOYMENT AND GROWTH (DECEMBER 1974)	9.40
PROGRAM TO PROMOTE CONSTRUCTION AND OTHER INVESTMENTS (AUGUST 1975)	5.75
1974 ADDITIONAL ERP FUNDS AND SPECIAL PROGRAM FOR THE MIDDLE CLASSES	L.50
ADDITIONAL LABOR MARKET PROGRAM OF SPRING 1976	0.20
ADDITIONAL LABOR MARKET PROGRAM OF NOVEMBER 1976	0.45
PORTIONS OF MEDIUM-TERM INVESTMENT PROGRAM FALLING TO 1977 AND 1978 (APPROX.)	6.00
IMPACT OF TAX REFORM AND REVISION OF CHILDREN ALLOWANCES SCHEME DURING THE YEARS 1975 THROUGH 1978	APPR. 55.00
TOTAL	ROUGHLY 80.00

USA

MEASURES	VOLUME (\$ BILLION)
TAX REDUCTION ACT OF 1975	17.1
REVENUE ADJUSTMENT ACT OF 1975	7.8
TAX REFORM ACT OF 1976	30.0
UNLIMITED MEASURES WITHIN TAX REFORM ACT PROPOSALS OF THE CARTER ADMINISTRATION OF 1977	7.8
	31.2
TOTAL	ROUGHLY 94.0

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(\$94 BILLION EQUALS ABOUT DM 225 BILLION CONVERTED AT THE RATE: \$1 EQUALS DM 2.40.)

TABLE II

ECONOMICS MINISTRY'S LIST OF STIMULATION MEASURES
(INFORMAL TRANSLATION)

DURING THE PAST THREE YEARS, SIZABLE MEASURES TO REVIVE THE ECONOMY AND SAFEGUARD EMPLOYMENT WERE INTRODUCED (SIX EXPENDITURE PROGRAMS AND SEVERAL TAX MEASURES; TOTAL VOLUME: DM 35 BILLION).

IN DETAIL:

1. DECEMBER 1973: RELAXATION OF STABILITY POLICIES,
ESPECIALLY

- DISCONTINUATION OF THE INVESTMENT TAX
- REINTRODUCTION OF SPECIAL DEPRECIATION ALLOWANCES FOR
HOUSING
- REINTRODUCTION OF DIMINISHING BALANCE DEPRECIATION
ALLOWANCES FOR CAPITAL GOODS
- DISCONTINUATION OF RESTRICTIVE BUDGET POLICIES AS FAR
AS INVESTMENT-TYPE OUTLAYS ARE CONCERNED

2. FEBRUARY 1974: SPECIAL PROGRAM FOR PROVINCES WITH
SPECIAL STRUCTURAL PROBLEMS TO REDUCE STRUCTURAL
DIFFICULTIES AND EMPLOYMENT RISKS (DM 900 MILLION)

3. SEPTEMBER 1974: SPECIAL PROGRAM TO SAFEGUARD
EMPLOYMENT IN THE CONSTRUCTION INDUSTRY IN AREAS WITH
ABOVE-AVERAGE UNEMPLOYMENT (DM 950 MILLION)

4. DECEMBER 1974: PROGRAM TO PROMOTE EMPLOYMENT AND
GROWTH

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- TEMPORARY INVESTMENT BONUS OF 7.5 PERCENT
(APPROXIMATELY DM 7 BILLION)
- FEDERAL INVESTMENT PROGRAM (DM 1.1 BILLION)
- EARLY SPENDING ON BUDGETED INVESTMENTS (TRANSFER
FROM SECOND TO THE FIRST HALF OF 1975)
- EXTENSION OF THE MAXIMUM DURATION OF THE PAYMENT OF
ALLOWANCES FOR SHORT-TIME WORK (FROM 12 TO 24 MONTHS)
- WAGE COST SUBSIDIES AND "MOBILITY ALLOWANCES" AIMED

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 /087 W

-----181821Z 114602 /46

R 181647Z MAR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6638
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO BRUSSELS
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

LIMITED OFFICIAL USE SECTION 06 OF 06 BONN 04894

AT REINTRODUCTION INTO THE WORKING PROCESS OF
UNEMPLOYED (DM 0.6 BILLION).
-- RELEASE OF FUNDS FROZEN AT THE BUNDESBANK PREVIOUSLY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 04894 06 OF 06 181740Z

ACCUMULATED BY A STABILITY SURTAX (DM 3.5 BILLION)

5. JANUARY 1975: TAX RELIEF BY ABOUT DM 15 BILLION
ANNUALLY BY TAX AND CHILDREN ALLOWANCES REFORM

6. AUGUST 1975: DM 5.75 BILLION PROGRAM TO PROMOTE
INVESTMENTS (AMONG OTHER THINGS, FEDERAL INVESTMENTS,
FUNDS FOR INFRASTRUCTURE, INTERIM FINANCING OF
CONSTRUCTION PROJECTS)

SOME PORTIONS OF THE PROGRAM ARE SUPPLEMENTED BY SELF-
FINANCING: THUS RESULTING TOTAL VOLUME OF ORDERS:
OVER DM 10 BILLION

7. JANUARY 1976: WORK PROMOTION MEASURES FOR YOUTH AND UNEMPLOYED WORKERS, THE PLACEMENT OF WHOM IS PARTICULARLY DIFFICULT (DM 300 MILLION)

8. JANUARY 1976: INTRODUCTION OF LIMITED LOSS CARRY-BACK UNDER THE INCOME AND CORPORATION TAX SCHEMES

9. NOVEMBER 1976: SPECIAL PROGRAM FOR REEMPLOYMENT OF WORKERS HAVING BEEN UNEMPLOYED FOR A LONGER PERIOD OF TIME AND WORK CREATION MEASURES (FUNDS OF THE FEDERAL GOVERNMENT AND THE FEDERAL LABOR AGENCY TOTALLING DM 1.6 BILLION)
STOESSEL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GW
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN04894
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: n/a
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770343/aaaablas.tel
Line Count: 778
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE
Message ID: c09f5cb5-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 15
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3059984
Secure: OPEN
Status: NATIVE
Subject: FRG CLAIMS IT HAS STIMULATED SUFFICIENTLY
TAGS: ECON, EFIN
To: SECSTATE WASHDC LONDON MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c09f5cb5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009